

# MSME (Micro Small Medium Enterprise) development strategy with LED approach in the Dolly ex-red light district

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**Abstract.** As a red light district, Dolly, was one of areas that contributed significantly in GDP Surabaya City. Closure of Dolly localization by the Surabaya City Government has made the region's economy declining. The purpose of this study is to determine strategy of developing MSMEs in Dolly's ex-localization area based on LED approach. The data collection method used in this study was through FGD and distributed questionnaires to 7 leading MSMEs in Dolly's exclusive area. To obtain a strategy of developing MMSMEs in Dolly's exclusion area, SWOT analysis is used. The output of this activity is development strategy among others. Exhibit at City Hall Surabaya once a month, followed by MSMEs in Dolly, develop village tourism in Dolly, Developing a chain of businesses from upstream to downstream in every MSME in Dolly, procurement training and assistance to MSMEs in terms of human resources management, was to processing, design, and development of product diversification, facilitation use of technology as a means of marketing, Conducting training manufacture of raw materials for some MSMEs, especially MSMEs culinary, Providing ease of obtaining licensing (certification) and cooperation with educational institutions as a party that can provide development ideas.

**Keywords:** *LED, MSME*

## 1. Introduction

Development of the territory is all the actions taken in order to exploit the potential of the existing region to get the conditions and the order of life better for the benefit of local communities in particular and on a national scale. Regional development should be able to become an effort to grow the regional economy and local economy, so that the region can grow and develop independently by utilizing local resources. Regional development strategy based on local resources is known as the concept of Local Economic Development (Local Economic Development) or commonly known as PEL (Alkadri, 1999).

Dolly localization area is one of the areas that contribute significantly in Surabaya GDP (Faidah Research Result, 2014). Closure of Dolly's location on November 10, 2013 Surabaya Social City with help has implications on other economic activities. Economic reputation chain in the region to stop, such as salons, parking attendants and other activities.

Nevertheless, the closure of the Dolly location was replaced with SMEs initiated by the Municipal Government, Swastaa and other communities. The SMEs are SMEs on screen printing and localized footwear from Dolly's exclusive localization. Other SMEs, SMEs Samijali, Cathering Ramadan. and so



on which was initiated by the youth community in Surabaya. The existence of this SME indicates the potential

However, in its development there are problems faced by these SMEs, including still lack of product branding so not many people who know the product. In addition, the ability of human resources to manage the income and expenditures of buying and selling also has not developed so minimal innovation.

Based on existing conditions that SMEs are the main actors of the economy are local communities, it is necessary to develop SMEs in Dolly's exclusive area using the LED approach (Local Economic Development). LED approach is based on participatory mapping and training. Local economic development focuses on endogeneous development policies by utilizing the potential of local human, institutional and physical resources (Blakely, 1989).

Universities have a primary responsibility, namely Tri Dharma Perguruan Tinggi. The three pillars are devotion, teaching and research. Higher Education should have a vision to serve the interests of the nation and humanity by being imbued with the nation's cultural values based on Pancasila. The vision is implemented through the concept of University Social Responsibility (USR), which is (a) conducting education as well as conducting research and developing innovation (b) and preserving and developing superior science to be fully harmonized in order to realize the welfare of society.

The purpose of this article is to formulate a local economic development strategy in Dolly's exclusive area through the Local Economic Development (LED) approach.

## 2. Methodology

Porter Diamond Competitiveness Model Based on the model to study local economic development has been developed by various researchers and experts over the last few decades. One model that is often used as a reference and referral in local economic development is the Model Diamond Porter (Porter's Diamond Model). The concept of "the four diamonds" Porter proposes four interrelated factors that determine the competitive advantage of an industry:

- corporate strategy, structure and competition
- conditions of demand
- condition factor
- related industries and supporters.

The next porter also adds the chance and government factor in the diamond model, where these two additional factors are not determinants but affect the four determinants above. These six factors simultaneously form a different system from one location to another. This explains why some companies (industries) only succeed in a particular location only. Not all factors must be optimal in ensuring the success of a company or industry (Porter, 2000).

In more detail, each of the factors from the Porter diamond model can be explained as follows (Porter, 1990):

- Firm, firm, and rivalry (firmstrategy, structure, and rivalry) strategy is a condition that determines how companies emerge / grow, organized and managed, and the nature of business competition in the country concerned.
- Demand conditions are the nature of the home demand for the products (goods and / or services) of the industry concerned. It is argued that the importance of this factor is that the composition of domestic demand is a "root" to competitive advantage, while the size and growth patterns can strengthen those advantages with
- affecting investment behavior, timing, and motivation. Another thing that also contributes is the internationalization mechanism of "withdrawal" of domestic demand abroad.
- Condition conditions that describe a country's position in "production factors" (inputs needed to compete), such as labor or infrastructure, necessary to compete in an industry
- Related and support industries, the presence of relevant supporting and related industries in the country that are competitively (competitive) internationally. The most significant key in this

regard is the supporting and related industries that are critical to an industry's innovation, or that provide an opportunity / opportunity to share the critical effectiveness of an industry

In using the LED approach, there are five principles of LED that must be met:

- Empowerment  
Empowering partnership forums to share in formulating problems, solutions and action plans.
- Export  
Greater demand, wider market, providing additional revenue (foreign exchange) for the region.
- Cluster  
Similar economic activities, from upstream to downstream. The goal is for the supply chain-the market (supply chain) builds up)
- Marketing  
Connect small-scale manufacturers with bigger ones.
- Partnership  
Partnership-related stakeholder forums (producers, traders, collectors and wholesalers, agencies and related institutions, financial institutions, training and research centers, including large buyers from outside the region.

Data collection method used in this study was through FGD and distributed questionnaires to 7 leading SMEs in Dolly's exclusive area. To obtain a strategy of developing MSMEs in Dolly's exclusion area, SWOT analysis is used.

### 3. Result and Discussion

SWOT identification is done by mapping potential problems based on the 5 principles of LED in each MSME. Here is a mapping of MSMEs condition based on 5 stages of LED, starting from empowerment, export, cluster, marketing and partnership.

**Table 1.** UMKM Samijali Condition

Empowerment	Export	Cluster	Market	Partnership
1. Weakhuman resource management of UMKM	1. Products are sold to Surabaya and surrounding areas through student resellers	1. Raw material dependence on 1 supplier 2. The absence of similar SME cluster and supporting MSMEs	1. Market demand is always there 2. Lack of promotion 3. Do not have halal label yet 4. The absence of a definite production site	1. The existence of assistance from government tools such as frying tools and press tools 2. The existence of capital assistance from Social Ministry and NGO GMH in 2016 amounting to Rp. 20.000.0000

**Table 2.** UMKM Batik Jarak Arum Condition

Empowerment	Export	Cluster	Market	Partnership
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1. Already have a good work management system	1. The product has been sold to Surabaya and outside Surabaya	1. Ease of getting raw materials 2. The existence of MSME supporting cluster of UMKM Handycraft	1. Market demand always exists, especially during national holidays 2. Lack of promotion	1. Have ever held a fashion show assisted by NGO GMH 2. Have cooperation with Social Service in the form of batik product display
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**Table 3.** UMKM Sepatu Condition

Empowerment	Export	Cluster	Market	Partnership
1. Weak human resource management in overcoming excessive orders 2. Lack of knowledge / training for the development of product diversification 3. Lack of knowledge of human resources related to the quality standards of shoes produced 4. Lack of capital assistance and tools for making shoes on a larger scale.	1. The product has been sold to Surabaya and outside Surabaya	1. Ease of getting raw materials 2. The existence of product diversification in the form of hotel slippers	1. Market demand is always there, especially hotel slippers products 2. Marketing is through the Facebook network	1. The existence of partnership with SME Sablon as part of designing sandals 2. Have cooperation with the Department of Industry and Trade, Indonesian Footwear Association and NGO GMH

**Table 4.** UMKM Orumy Condition

Empowerment	Export	Cluster	Market	Partnership
<ol style="list-style-type: none"> <li>Weak human resource management related to the issue of electricity payment fee</li> <li>Lack of knowledge / training for the development of product diversification</li> </ol>	<ol style="list-style-type: none"> <li>The product has been sold to Surabaya area and outside Surabaya through student as reseller agent</li> </ol>	<ol style="list-style-type: none"> <li>Dependence on one supplier located outside Dolly</li> <li>The absence of similar SME clusters and supporting MSMEs</li> </ol>	<ol style="list-style-type: none"> <li>Market demand is always there</li> <li>Marketing is through Facebook and other social media networks</li> <li>Apply promotional techniques in the form of discounts when purchasing in large quantities</li> <li>Not having PIRT and Halal labels hampering the marketing process</li> </ol>	<ol style="list-style-type: none"> <li>There is no support from the government regarding the development of Orummy SMEs</li> <li>Have cooperation with NGO GMH in the form of aid tool to marketing</li> <li>The existence of capital assistance from students at the beginning of the stand of Rp 320.000</li> </ol>

**Table 5.** UMKM Tempe Bang Jarwo Condition

Empowerment	Export	Cluster	Market	Partnership
<ol style="list-style-type: none"> <li>Lack of knowledge / training for the development of product diversification</li> <li>Limitations of production equipment so that production is still manual and on a small scale only</li> </ol>	<ol style="list-style-type: none"> <li>The product has been sold to Surabaya area and outside Surabaya</li> </ol>	<ol style="list-style-type: none"> <li>The absence of similar SME clusters and supporting MSMEs</li> </ol>	<ol style="list-style-type: none"> <li>Market demand is always there</li> <li>Marketing is through Facebook and other social media networks</li> <li>Apply promotional techniques in the form of discounts when purchasing in large quantities</li> <li>Not having PIRT and Halal labels hampering the marketing process</li> </ol>	<ol style="list-style-type: none"> <li>There is no support from the government regarding the development of Orummy SME</li> <li>Have cooperation with NGO GMH in the form of aid tool to marketing</li> </ol>

**Table 6.** UKM Puja Condition

Empowerment	Export	Cluster	Market	Partnership
1. Entrepreneurs already understand how the production of salted eggs is good 2. Limitations of production equipment so that production is still manual and on a small scale only 3. Human resource discipline is still bad, most of which are still managed by the Chairman of UKM only	1. The product has been sold to Surabaya and outside Surabaya 2. Distribution of raw materials is still done alone	1. The absence of similar SME clusters and supporting MSMEs	1. Market demand is always there 2. Apply promotional techniques in the form of discounts when purchasing in large quantities 3. Not having PIRT and Halal labels hampering the marketing process	1. There is a partnership with the Department of Agriculture and livestock for the duck egg supplier 2. Have cooperation with NGO GMH in the form of tool aid

**Table 7.** UMKM Sablon Condition

Empowerment	Export	Cluster	Market	Partnership
1. Limitations of capital so overwhelmed many orders 2. Limitations of production equipment so that production is still manual and on a small scale only 3. Weak human resource management	Product The product has been sold to Surabaya and outside Surabaya	The absence of similar SME clusters and supporting MSMEs	1. The entrepreneur already has a product warranty 2. Not yet utilize technology in the promotion done	1. There is no partnership support with the government for the development of SMEs Sablon 2. Have cooperation with NGO GMH in the form of tool aid 3. Partnering with UMKM Shoes to menyablon hotel slippers

Based on the identification of the existing condition of each MSME in Dolly's exclusive area based on five principles of LED, the next will be SWOT identification and SWOT analysis. For more details, see 8 and 9.

**Table 8.** Identification Of SWOT

Strengths	Weaknesses
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<ol style="list-style-type: none"> <li>1. Products have been sold to Surabaya and surrounding areas</li> <li>2. Some SMEs already have a good working management system</li> <li>3. Some SMEs already have MSME supporting cluster of UMKM Handicraft</li> <li>4. The existence of product diversification in the form of hotel slippers</li> <li>5. Some SMEs have done marketing through internet network</li> <li>6. Already apply promotional techniques in the form of discounts when purchasing in large quantities</li> <li>7. Puja UKM already understand how to produce good salted eggs</li> </ol>	<ol style="list-style-type: none"> <li>1. Weak human resource management of UMKM</li> <li>2. Lack of knowledge of waste treatment</li> <li>3. Some SMEs have no similar SME cluster and MSME supporting</li> <li>4. The absence of a definite production site</li> <li>5. Lack of knowledge / training of batik to design batik cloth</li> <li>6. Lack of knowledge of human resources related to the quality of shoes produced</li> <li>7. Lack of knowledge / training for the development of product diversification</li> <li>8. Difficulties in product marketing</li> </ol>
<b>Opportunities</b>	<b>Threats</b>
<ol style="list-style-type: none"> <li>1. Market demand is always there for some SMEs</li> <li>2. There is assistance from government tools such as frying tools and SME Samijali press tool</li> <li>3. There is assistance and assistance from NGO GMH</li> <li>4. The existence of cooperation with several agencies in Surabaya, Social Office in the form of batik displays, Disperindang with SMEs Shoes, Office of Agriculture as a supplier of duck eggs Puja UKM</li> <li>5. SME Batik has ever held a fashion show assisted by NGO GMH</li> <li>6. The existence of cooperation between SMEs Sablon and SMEs Sepatu</li> </ol>	<ol style="list-style-type: none"> <li>1. Raw material dependence on 1 supplier</li> <li>2. Some food products have not yet labeled osher and PIRT</li> <li>3. Lack of capital assistance and tools for making shoes on a larger scale</li> <li>4. Some of the SMEs of market demand are erratic and limited</li> <li>5. Delivery of food out of the region often experience product decay</li> <li>6. Most raw materials from outside the Dolly region</li> </ol>

**Table 9.** SWOT Strategy

Strengths	Weaknesses
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Opportunities	S1-O1 Increasing the quantity of UMKM production	W1-O4 Increase cooperation with the Manpower Office to improve the quality of human resources
	S5-O5 Conducting marketing and exhibition following trend and technology developments	W4-O5 Develop a tourist village in Dolly
	S2-O4 Held an exhibition at the Surabaya City Hall routinely once a month followed by SMEs in Dolly	W3-O6 Develop a business link from upstream to downstream on every SME in Dolly
	S3-O6 Improve production quality through comparative studies to other production sites	W4-O4 Build a joint production house for product displays
Threats		W1,2,5,6,7-O4 Procurement training and mentoring for MSME players in human resource management, waste treatment, design, and product diversification development.
		W8-O3 Mentoring the use of technology as a marketing tool
	S1-T1 Enhance cooperation by entering into an agreement (MOU) with a single supplier	W2,3,4,6-T5 Establish cooperation with educational institutions as a party that can provide development ideas
	S1-T6 Perform training on making raw materials for some SMEs, especially SMEs culinary	W2,3,4,6-T3 Bridging partnerships between actors and Surabaya City Investment Board
	W1,7-T2 Provides ease of licensing (certification)	W2,3,4,6-T3 Operates more effective savings and loan cooperatives

#### 4. Conclusion

Based on the results of the analysis that has been done, then obtained some strategies that can be used to develop SMEs based on LED approach. These strategies include:

- a. Held an exhibition at Surabaya Town Hall once a month followed by SMEs in Dolly
- b. Develop a tourist village in Dolly
- c. Develop a business link from upstream to downstream on every SME in Dolly
- d. Providing training and mentoring for MSME players in terms of human resource management, waste processing, design, and product diversification development
- e. Assistance in the use of technology as a marketing tool
- f. Conducting training on raw materials for some SMEs, especially culinary SMEs
- g. Provides ease of licensing (certification)
- h. Establish cooperation with educational institutions as a party that can provide development ideas

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